

**Rogers County Public Health  
Facilities Authority  
Claremore, Oklahoma**

**Basic Financial Statements  
June 30, 2017**

**TURNER & ASSOCIATES  
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**Rogers County Public Health Facilities Authority  
Board of Trustees  
June 30, 2017**

Herb McSpadden  
Rosalie Griffith  
Roy Hancock

Chairman  
Member  
Member

**Rogers County Public Health Facilities Authority**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Rogers County Public Health Facilities Authority  
Claremore, Oklahoma

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Rogers County Public Health Facilities Authority (the Authority), Rogers County, Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5-6 be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*TURNER & ASSOCIATES, PLLC*

Vinita, Oklahoma

March 20, 2018



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Rogers County Public Health Facilities Authority  
Rogers County, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of business-type activities of Rogers County Public Health Facilities Authority (the Authority), Rogers County, Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TURNER & ASSOCIATES, PLLC

Vinita, Oklahoma

March 20, 2018

**Rogers County Public Health Facilities Authority  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

Our discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Authority's financial statements which begin on page 8.

**FINANCIAL HIGHLIGHTS**

- The net position of the Authority at June 30, 2017 is \$1,019,206.
- Total operating revenues were \$30,250 this fiscal year while operating expenses were \$92,856, resulting in operating loss of \$62,606.

**USING THIS ANNUAL REPORT**

This annual report consists of two parts; Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Authority's total Net Position decreased \$62,373 from last year. Our analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

	<b>Table 1</b>				
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Differences</u>		
Current Assets	\$ 185,723	\$ 158,032	\$ 27,691	14.9%	
Capital Assets	833,483	923,547	(90,064)	-10.8%	
Total Assets	<u>1,019,206</u>	<u>1,081,579</u>	<u>(62,373)</u>	<u>-6.1%</u>	
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>	
Net Investment in Capital Assets	833,483	923,547	(90,064)	-10.8%	
Net Position, Unrestricted	<u>185,723</u>	<u>158,032</u>	<u>27,691</u>	<u>14.9%</u>	
Total Net Position	<u>\$ 1,019,206</u>	<u>\$ 1,081,579</u>	<u>\$ (62,373)</u>	<u>-6.1%</u>	

The decrease in net position is mostly due to depreciation expense.



**Rogers County Public Health Facilities Authority  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

The Authority's net investment in capital assets (e.g., public health facilities and equipment) represents about 85% of its total net assets. The Authority leases these capital assets to the Rogers County Youth Services and Rogers County Adult Daycare which uses them to provide services to citizens and consumers. Consequently, these assets are not available for future spending.

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

**Table 2**

	June 30, 2017	June 30, 2016	Differences	
Lease Revenues	\$ 30,250	\$ 16,750	\$ 13,500	44.6%
Nonoperating Interest Income	233	-	233	100.0%
Depreciation Expense	(90,064)	(86,697)	(3,368)	3.7%
Other Net Revenues (Expenses)	(2,792)	(29,882)	27,091	-970.5%
Increase/(Decrease) in Net Position	(62,373)	(99,829)	37,456	-60.1%
Net Position, Beginning of Year	1,081,579	1,181,408	(99,829)	-9.2%
Net Position, End of Year	<u>\$ 1,019,206</u>	<u>\$ 1,081,579</u>	<u>\$ (62,373)</u>	<u>-6.1%</u>

The Authority's primary source of revenue is the lease revenues from the Rogers County Youth Services and Rogers County Adult Day Care.

Major expense is depreciation.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2017, the Authority had \$833,483 invested in capital assets, including the public health facility building and a youth shelter building as well as land and equipment. This amount represents a net decrease of \$90,064 from the previous year due to depreciation. Capital asset changes are presented in detail in Note III to the financial statements.

### **Debt**

As of June 30, 2017, the Authority had no bonds or capital leases outstanding.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the Authority's financial condition, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Trustees at Rogers County Public Health Facilities Authority, 2664 N. Hwy 88, Claremore, OK 74017-0419.

**Rogers County Public Health Facilities Authority**  
**Statement of Net Position**  
**June 30, 2017**

**ASSETS**

## Current Assets

Cash and cash equivalents	\$ <u>185,723.28</u>
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## Noncurrent Assets

## Capital Assets

Capital Assets, net of accumulated depreciation	720,382.98
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Land	<u>113,100.00</u>
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Total Noncurrent Assets	<u>833,482.98</u>
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**TOTAL ASSETS**

	<u>1,019,206.26</u>
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**NET POSITION**

## Net Investment in Capital Assets

	833,482.98
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## Unrestricted

	<u>185,723.28</u>
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**TOTAL NET POSITION**

	<u><u>\$ 1,019,206.26</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Rogers County Public Health Facilities Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**

<b>Operating Revenues</b>	
Lease Revenues	<u>\$ 30,250.00</u>
<b>Operating Expenses</b>	
Depreciation	90,064.18
Administrative Fees	655.00
Legal Fees	2,072.50
Miscellaneous	<u>64.00</u>
Total Operating Expenses	<u>92,855.68</u>
<b>Operating Income (Loss)</b>	(62,605.68)
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	<u>232.43</u>
Change in Net Position	(62,373.25)
Net Position, Beginning of Year	<u>1,081,579.51</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,019,206.26</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Rogers County Public Health Facilities Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

**Cash Flows from Operating Activities**

Cash Inflows:

Payments Received from Lessor	\$	30,250.00
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Cash Outflows:

Payments to Suppliers for Goods and Services		(2,791.50)
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Net Cash Provided (Used) by Operating Activities		27,458.50
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**Cash Flows from Investing Activities**

Interest Income		232.43
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Net Cash Provided (Used) by Investing Activities		232.43
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**Net Cash Inflow (Outflow) from All Activities**

27,690.93

Cash and Cash Equivalents at Beginning of Year

158,032.35

Cash and Cash Equivalents at End of Year

\$ 185,723.28

Cash and Cash Equivalents at End of Year

Unrestricted		\$ 185,723.28
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**Reconciliation of Operating Income (Loss) to Net Cash  
Provided by Operating Activities:**

Operating Income (Loss)		\$ (62,605.68)
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Depreciation		90,064.18
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Net Cash Provided (Used) by Operations		\$ 27,458.50
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**Rogers County Public Health Facilities Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2017**

The following notes to the financial statements are an integral part of the Authority's financial statements.

**I. Summary of Significant Accounting Policies**

Rogers County Public Health Facilities Authority was established as a Public Trust for the purpose of acquiring and constructing a public health facility in and for the benefit of Rogers County, Oklahoma. The trust was created by a Declaration of Trust dated July 17, 1989 under the provisions of Title 60, Oklahoma Statutes 1988, Sections 176 to 180.4, inclusive of the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority began operation on March 1, 1990 and is exempt from federal and state income taxes.

**A. Financial Reporting Entity**

The Authority complies with GASB Statement No. 14, "*The Financial Reporting Entity*." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

**B. Basis of Presentation**

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "*economic resources*" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges to customers for sales and services including rent.

**Rogers County Public Health Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**C. Measurement Focus and Basis of Accounting (continued)**

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, Net Position and Revenues**

**1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**2. Fair Value of Financial Instruments**

The Authority's financial statements include cash and investments. The Authority's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Capital Assets**

The public health facilities, furniture and equipment are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

The Authority does not currently have a capitalization policy.

**4. Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Net investment in capital assets --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Unrestricted net position --- All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**Rogers County Public Health Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Net Position and Revenues (continued)**

**5. Revenues**

The Authority entered into lease agreements with Rogers County Youth Services and Rogers County Adult Day Care on March 1, 2016 for a term extending to August 31, 2018. The monthly lease payments are \$1,375 for each tenant, which represents fair market value for the space provided.

**6. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. Detailed Notes Concerning the Funds**

**A. Cash and Investments**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including interest-bearing certificates of deposit, are covered by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, none of the Authority's deposits were exposed to custodial credit risk.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Rogers County Public Health Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**II. Detailed Notes Concerning the Funds (continued)**

**B. Changes in Capital Assets**

Capital asset activity for the year was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Assets				
Land	\$ 113,100.00	\$ -	\$ -	\$ 113,100.00
Depreciable Assets				
Buildings	2,204,828.34	-	-	2,204,828.34
Equipment	63,223.04	-	-	63,223.04
Total	2,268,051.38	-	-	2,268,051.38
Accumulated Depreciation	(1,457,604.22)	(90,064.18)	-	(1,547,668.40)
Total Depreciable Assets	810,447.16	(90,064.18)	-	720,382.98
Net Capital Assets	\$ 923,547.16	\$ (90,064.18)	\$ -	\$ 833,482.98

**C. Lease Agreement**

The Authority entered into separate lease agreements with Rogers County Youth and Rogers County Adult Daycare which both commenced on March 1, 2016.

Under the terms of the agreement, the Rogers County Youth Services and Rogers County Adult Daycare will lease from the Authority the Rogers County Public Health Facility for a minimum rental amount.

<u>Lease Term</u>	<u>Minimum Rentals (monthly)</u>
February 1, 2016- August 31, 2018	1,375.00

Rogers County Youth Services paid the minimum payment each month during the fiscal year; however, Rogers County Adult Daycare only paid the minimum payment for ten months. Rogers County Adult Daycare gave notice that they would be moving to another property in July 2017 and requested of the Authority a waiver of rent for the months of May and June 2017. The Authority approved the waiver. Both tenants have followed the terms of the leases. The leases are net-net-net leases, therefore repairs and maintenance are the responsibility of the tenant. Both leases allow for early termination if a tenant wants to relocate during the lease term as Rogers County Adult Daycare has done.



**Rogers County Public Health Facilities Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**III. Other Information**

**A. Economic Dependence**

During the fiscal year ended June 30, 2017, the Organization reported lease revenues of \$30,250 pursuant to its lease agreement with the Rogers County Youth Services and Rogers County Adult Day Care. This amount represents 100% of the Authority's total operating revenues. If the Authority did not receive these revenues, alternate sources of funding would need to be secured in order to continue to service the facility.

**B. Subsequent Events**

Management has evaluated subsequent events through March 20, 2018, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**C. Contingent Liabilities**

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

**D. Prior Period Adjustment**

A prior period adjustment was made to Net Position to restate the useful life of assets listed on the capital asset schedule that were still in use by the Authority and that had been fully depreciated. The Accumulated Depreciation - Building account was decreased (debited) by \$113.63, the Accumulated Depreciation - Equipment account was decreased (debited) by \$8,407.19, the Accumulated Depreciation - YS Building account was decreased (debited) by \$1,792.64, and the Retained Earnings account was increased (credited) by \$10,313.46 from \$1,071,266.05 to \$1,081,579.51.